

Message Text

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CIEP-03 STR-08 L-03 TRSE-00 CIAE-00 DODE-00 INR-11

NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SP-03 EUR-25

DRC-01 /139 W

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P 301506Z SEP 74

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC PRIORITY 732

C O N F I D E N T I A L SECTION 1 OF 2 LUSAKA 1993

EO 11652: GDS

TAGS: EFIN, ZA

SUBJECT: TAW AND THE PRIME MINISTER

REF: LUSAKA 1959, STATE 213253

1. PRIME MINISTER CHONA INVITED ME TO HIS HOME SUNDAY AFTERNOON, SEPT 29, FOR TEA AND HOUR AND HALF LONG CONVERSATION CENTERING ON TAW-GRZ DISPUTE. PRIME MINISTER TWICE REVIVED HIS STRONGLY HELD OPINION THAT GRZ INITIALLY PERSUADED TO ACCEPT TAW BECAUSE IT HAD BEEN REPRESENTED TO HIM AS WAY BY WHICH USG INTENDED TO HELP GRZ IN TRANSPORT EMERGENCY CREATED BY 1973 BORDER CLOSURE. (DESPITE MY QUESTIONS HE DID NOT IDENTIFY SOURCE.) I AGAIN CLARIFIED THAT AID PROGRAM LOAN WAS OFFICIAL USG RESPONSE TO ZAMBIA'S EMERGENCY. WHILE APPRECIATING LOAN, PRIME MINISTER HELD TO HIS VIEW ON TAW, ARGUING THAT USG SHOULD HAVE MANY REASONS TO INTEREST ITSELF DIRECTLY IN CASE AT THIS TIME IN SEARCH FOR EARLY AND AMICABLE SOLUTION. CHONA HOPES TO AVOID ARBITRATION AS HE SEEMS TO FEEL ZAMBIA WILL LOSE CASE AND IT WILL BE HIS LOT TO EXPLAIN THE UNFAVORABLE RESULT ON FLOOR OF NATIONAL ASSEMBLY.

2. IT OBVIOUS FROM CONVERSATION GRZ NOT YET FORMALLY NOTIFIED BY ICC OF TAW'S FILING, UNDER-
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STOOD TO HAVE BEEN MADE AT END OF AUGUST. HAS

FILING ACTUALLY BEEN MADE? IF SO, HOW EXPLAIN
DELAY IN NOTIFICATION?

3. CHONA WAS ADMITTEDLY SIMPLISTIC IN HIS APPROACH:
"I AM SIMPLE VILLAGER, AND POLITICAL CIVIL
SERVANT, NOT A POLITICIAN AND NOT AN INTERNATIONAL
BUSINESSMAN." ESSENTIALS PRIME MINISTER'S VIEWS AND
PROPOSALS AS FOLLOWS:

(A) WANTS USG TO USE ITS GOOD OFFICES WITH
WOOD AND HIS US BACKERS (TWICE REFERRED TO TAW'S
SHAKY FINANCIAL POSITION) TO START TALKING WITH GRZ
REPS EITHER IN WASHINGTON (MINISTER OF PLANNING AND
FINANCE CHIKWANDA AND PERMSEC MWANANSHIKU) OR LUSAKA.
IF LATTER, CHONA HIMSELF WOULD SEE WOOD FOR FIRST
TIME. WHEN I TOLD HIM WOOD PREFERRED LONDON, CHONA
SAID THIS WOULD BE MORE DIFFICULT IF NOT IMPOSSIBLE.

(B) OBJECTIVE OF TALKS WOULD BE TO REACH EARLIEST
POSSIBLE AGREEMENT FOR GRZ PURCHASE 62 TAW TRUCKS AND
POSSIBLY "OTHER EQUIPMENT" ON BASIS K21,000 PER UNIT
WITH ALLOWABLE ADJUSTMENT IN THIS BASE FIGURE
AFTER JOINT APPRAISAL OF INDIVIDUAL UNITS.

(C) WHILE GRZ RELUCTANT MAKE FURTHER PAY-
MENTS TO WOOD IN VIEW OF 1.6 MILLION DOLLAR DOWN
PAYMENT FOR ORIGINAL 300 TRUCK LEASE DEAL (WHICH IT
WANTS AS AGENDA ITEM NOTWITHSTANDING WOOD'S OBJECTIONS),
GRZ NONETHELESS WILLING TO SWEETEN POT WITH ADDITIONAL
PAYMENT OF BETWEEN K35,000 AND K60,000 AS SHOW OF
GRZ GOOD FAITH ON PURCHASE, BUT MAINLY BECAUSE

(D) GRZ DESPERATELY NEEDS TRUCKS FOR IMMEDIATE
SERVICE TO MOVE MAIZE STOCKS FROM CHIPATA PRODUCING AREA
IN EAST TO CENTRAL MARKETING DEPOT IN LUSAKA BEFORE
HEAVY NOVEMBER RAINS.

4. PRESS REPORTS OF PAST FEW DAYS HAVE DWELT ON SCARCITY
OF TRANSPORT TO HANDLE MAIZE SHIPMENTS FROM RURAL AREAS
AND BACKLOG OF ZAMBIAN GENERAL CARGO AT DAR. ACCORDING
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TO TIMES OF ZAMBIA, GOVERNMENT HAS DECIDED TO INCREASE
INTERNAL TRANSPORT RATES 50 PERCENT TO INDUCE TRUCKERS TO
PARTICIPATE IN "EMERGENCY MOVING OF MAIZE." AT SAME TIME,
MINSTATE FOR TRANSPORT MWALE MET WITH MORE THAN 100
TRUCKERS TO ENLIST THEIR SUPPORT.

5. CHONA QUITE OPEN IN SAYING LOCAL POLITICAL SITUATION
HEATING UP BECAUSE OF EXISTENCE UNUSED TAW TRUCK CAPACITY

PARKED OFF KAFUE ROAD SOUTH OF LUSAKA AND AGGRAVATION OF TRANSPORT PROBLEMS NOT ONLY WITHIN COUNTRY BUT BETWEEN DAR PORT AND ZAMBIA. ACCORDING TO PRESS ACCOUNT OF SEPT 29, THERE 39,000 TONS OF ZAMBIAN CARGO HELD UP IN DAR; OF THIS AMOUNT, 12,000 IS COPPER AWAITING EXPORT WHILE REMAINING 27,000 IS ZAMBIA BOUND CARGO STALLED FOR WANT OF TRANSPORT. WHILE SOME LOCAL POLITICIANS HAVE INSISTENTLY URGED GOVERNMENT SIMPLY TAKE POSSESSION AND START USING TRUCKS ON BASIS OF STATED INTENTION TO BUY -- AND THERE REAL THREAT THIS COULD HAPPEN, CHONA SAID -- HE PREFERS SPEEDY, AMICABLE, NEGOTIATED SETTLEMENT. ADDED GOVERNMENT HAS ALWAYS BEEN UNDER CRITICISM FROM SOME QUARTERS FOR NOT STANDING UP MORE TO WOOD WHO HE SAID "HAS WAY OF INTIMIDATING OTHERS AND ALWAYS LOOKING FOR CONFRONTATION."

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TO SECSTATE WASHDC PRIORITY 733

C O N F I D E N T I A L SECTION 2 OF 2 LUSAKA 1993

6. PRIME MINISTER CONVINCED USG HAS INFLUENCE IT SHOULD EXERCISE TO HELP EASE DOMESTIC AND BILATERAL POLITICAL EFFECTS OF CASE, WHILE PROTECTING LEGITIMATE INTERESTS OF BOTH PARTIES.

7. IN REPLY I UNDERScored US DESIRE AS WELL FOR AMICABLE SOLUTION, FACT WE HAD FOLLOWED CASE CLOSELY BUT HAD KEPT RESPECTABLE DISTANCE BECAUSE IT WAS ESSENTIALLY PRIVATE COMMERCIAL DISPUTE AND PARTIES NEEDED ROOM AND TIME TO

WORK OUT THEIR DIFFERENCES. I EXPRESSED PERSONAL HOPE THAT USG MIGHT BE OF SOME ASSISTANCE AT THIS TIME IN HELPING PARTIES REACH SETTLEMENT, SUGGESTING POSSIBLE USE OF AID PROGRAM LOAN. NOTING CHONA'S MENTION GRZ NOW WANTS TO BUY OUTRIGHT AND DIRECTLY FROM GM, NOT THROUGH INTERMEDIARIES, 100 TRUCKS WHICH WERE PART OF ORIGINAL TAW LEASING DEAL, I ASKED IF GRZ DISPOSED TO DRAW DOWN AID PROGRAM LOAN FOR THIS PURPOSE IF AID LEGAL REVIEW SHOWED NO OBSTACLES TO THIS COURSE. CHONA SAID GRZ VERY MUCH WANTED TO APPLY LOAN TO TRUCKS AND RECALLED FONMIN MWAANGA'S MENTION OF THIS POSSIBILITY.

8. IN THIS CONTEXT I RAISED QUESTION OF DORON SIMULATOR BUT IT IMMEDIATELY OBVIOUS PRIME MINISTER KNEW NOTHING ABOUT IT, ALTHOUGH AWARE THAT WOOD HAD INTRODUCED CONFIDENTIAL

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A DRIVER TRAINING DEVICE WHICH INTERESTING TO ZAMBIANS. CHONA'S VISION OBVIOUSLY LIMITED TO URGENCY OF ACQUISITION BOTH 62 TRUCKS IN ZAMBIA AND 100 FROM GM. MOREOVER, ESSENTIAL POINT IS CHONA'S CONFIRMATION OF ZAMBIA'S INTEREST IN USE OF AID LOAN FOR 100 TRUCKS. OTHER SIDE OF DEAL SUGGESTED BY EMBASSY (REFTEL) IS FOR WOOD TO WITHDRAW HIS OBJECTIONS TO USE OF PART OF LOAN FOR DORON SIMULATOR IF BULK OF LOAN USED FOR 100 GM TRUCKS.

9. AS FOR CHONA'S PROPOSAL ON 62 TRUCKS, WE RECOGNIZE PRACTICAL BUSINESS PROBLEMS LIKELY ARISE REGARDING USE OF TRUCKS NOW WITH FULL PAYMENT LATER. THERE IS ALSO RISK OF POSSIBLE EXPOSURE OF TRUCKS TO REDUCTION IN VALUE FROM NORMAL WEAR AND TEAR AND ANY DAMAGE BEFORE JOINT APPRAISAL MADE ON SETTLEMENT. WOULD HOPE WAY COULD BE FOUND TO EXPEDITE APPRAISAL AND START UP OF NEGOTIATIONS TO OVERCOME THESE INEVITABLE OBJECTIONS. WOULD ALSO HOPE INTERESTED WASHINGTON AGENCIES AS WELL AS WOOD WILL APPRECIATE COUNTRY'S STILL UNSOLVED URGENT TRANSPORT PROBLEMS AND WORK FOR AMICABLE SETTLEMENT WHICH STANDS CHANCE OF BRINGING CREDIT TO US GOOD OFFICES AND PROMISING BRIGHTER COMMERCIAL FUTURE FOR US EXPORTS TO ZAMBIA.

10. WHILE WE KNOW LITTLE OF PRESENT STATUS OF TAW'S ACTUAL FINANCIAL POSITION AND ANY CLAIMS WHICH US LENDERS MAY HAVE AGAINST IT, WE MUST ASSUME THAT COMPANY'S ZAMBIAN OPERATIONS TO DATE HAVE EXPOSED IT TO SERIOUS CASH FLOW PROBLEM WHICH ONLY GETTING WORSE WITH TIME. IF THIS IS SO, TOUGH SETTLEMENT CONDITIONS AND UNCOMPROMISING TAW MENTALITY APPEAR TO BE DELAYING CONVERSION OF FIXED ASSETS INTO CASH AND MAY NOT BE IN

FIRM'S OWN BEST COMMERCIAL INTERESTS OR IN THOSE OF USG
IN ITS TRADE PROMOTION PROGRAM. WE AWAIT RESULTS
WASHINGTON REVIEW FOR JUDGMENT ON THIS ASPECT.

1. WOULD ASSUME IT WOULD BE IN BEST INTERESTS OF OPIC
AND OTHER US BACKERS TO CONSIDER ORGANIZING THEMSELVES
EITHER AS ACTIVE PARTICIPANTS IN A JOINT NEGOTIATING
TEAM OR AS BACKUP COUSELORS TO ASSIST TAW IN
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RESPONDING TO PRIME MINISTER'S PROPOSAL AND IN
RENEWING TAW'S EFFORTS TO SETTLE DISPUTE WITH GRZ
ON AMICABLE TERMS IN WHICH -- FROM CHONA'S REMARKS --
WE BELIEVE GRZ SINCERELY INTERESTED.
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